Financial Statements

Financial Statements

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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Garfield County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District as of June 30, 2005, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 2005, on our consideration of Garfield School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GILBERT & STEWART
Certified Public Accountants

September 8, 2005

Management's Discussion and Analysis

As management of the Garfield County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here in conjunction the District's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 12 to 16 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 19 to 32 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 34 to 42 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,086,998 at June 30, 2005.

Net Assets

	Governmental Activities								
		2005		2004					
Current and other assets	\$	5,323,216	\$	5,459,353					
Capital assets		13,374,976		13,728,686					
Total assets	\$	18,698,192	<u>\$</u>	19,188,039					
Curent and other liabilities	\$	3,422,621	\$	3,473,707					
Noncurrent liabilities		8,188,573		9,368,928					
	•	11,611,194		12,842,635					
Net Assets: Invested in capital assets									
net of related debt		5,378,844		4,549,334					
Restricted		892,030		1,310,823					
Unrestricted		816,124		485,247					
	\$	7,086,998	\$	6,345,404					

The largest portion of the District's net assets (76%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Assets

Gov			ntal
UU	ven	ше	ntai

		Activities			
	-	2005	2004		
Revenues:					
Program revenues:					
Charges for services	\$	103,818	\$	117,601	
Operating grants and contributions		2,469,376		2,484,246	
General Revenues:					
Property taxes		3,200,632		3,043,810	
Federal and state aid not restricted	•				
to specific purposes		4,427,015		4,591,592	
Earnings on investments		4 9,7 48		32,690	
Miscellaneous		382,548		402,546	
Total revenues		10,633,137		10,672,485	
Expenses:					
Instruction		6,4 60,5 78		6,032,404	
Support services:					
Students		191,532		184,507	
Instructional staff		61,409		103,787	
District administration		333,758		336,053	
School administration		720,5 36		7 61,7 9 3	
Business		2 40,5 38		254,362	
Operation & maintenance of plant		774,018		825,719	
Transportation		391,408		488,631	
School lunch services		345,746		330,428	
Interest on long term liabilities		372,022		390,716	
Total expenses		9,891,545		9,708,400	
Changes in net assets		741,592		964,085	
Net assets, beginning		6,345,406		5,381,321	
Net assets, ending	\$	7,08 6,9 98	\$	6,345,406	

A portion of the District's net assets (13%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (11%) may be used to meet the District's ongoing obligations to students, employees, and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

Designation for Undistributed Reserve

As allowed by law, the District has established an *undistributed reserve* of \$170,000 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient

reserve is a key credit consideration in the District's bond rating of Aaa given by Moody's Investor Service.

As of June 30, 2005, the District is able to report positive balances in all three categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

The *general fund* is the chief operating fund of the District. At June 30, 2005, unreserved and undesignated fund balance was \$799,490 while the total fund balance was \$974,490. The unreserved and undesignated fund balance increased by \$338,527 while the total fund balance also increased by \$338,527 during the fiscal year. Annual expenditures in the general fund were \$519,189 less than the final budgeted amounts, and resources available for appropriation were \$110,301 more than final budgeted amounts.

The *capital projects fund* has a total fund balance of \$650,133, of which \$150,000 is restricted for acquisition of capital assets and related expenditures. The fund balance decreased by \$501,079 during the fiscal year.

The *debt service fund* has a total fund balance of \$174,365, all of which is reserve for the payment of debt service on general obligation bonds. The fund balance increased by \$95,285 during the fiscal year.

The non K-12 programs special revenue fund has a total fund balance of \$90,747. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs and other community programs.

The school lunch special revenue fund has a total fund balance of \$7,439. This balance is within the total allowed by state guidelines and is restricted to food service programs.

Capital Assets and Debt Administration

A. Capital Assets

The capital projects fund is used primarily to account for costs incurred in acquiring, maintaining, and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The primary class of capital assets used by the District to provide educational services to the public is school buildings. The District continually evaluates the cost efficiency of its buildings as part of its on-going capital improvements plan.

Capital assets at June 30, 2005 are outlined below:

GARFIELD COUNTY SCHOOL DISTRICT'S

Capital Assets

(net of accumulated depreciation)

		2005	 2004
Land	\$	100,222	\$ 100,222
Buildings		12,723,700	13,107,650
Furniture and Equipment	551,054		 520,815
	\$	13,374,976	\$ 13,728,687

B. Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$13,182,233 while the general obligation debt at that date was \$7,828,000 resulting in a legal debt margin of \$5,354,233.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Garfield County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Business Administrator, Garfield County School District, 145 East Center Street, Panguitch, Utah 84759.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets

June 30, 2005

			vernmental Activities
Assets:		•	0.155.004
Cash and investments		\$	2,155,884
Receivables:			0 (55 554
Property taxes			2,675,574
Other governments			448,544
Inventories			9,139
Bond issuance costs, net			34,075
Capital assets:			100.000
Land			100,222
Other capital assets, net of accumulated of	depreciation		13,274,754
Total assets			18,698,192
Liabilities:			
Accounts payable			250,904
Accrued interest			30,654
Accrued salaries	•		482, 497
Deferred revenue:		1	
Property taxes			2,649,427
Other governments			9, 139
Noncurrent liabilities:			
Due within one year			789, 706
Due in more than one year			7,398,867
Total liabilities			11,611,194
Net Assets:			
Invested in capital assets, net of related del	bt	•	5,378,844
Restricted for:	•		
School lunch			7,439
Non K-12 programs			90,747
Debt service			143,711
Capital projects			650,133
Unrestricted	•		816,124
Total net assets		<u></u>	7,086,998

Statement of Activities

Year Ended June 30, 2005

		·	ı		Net (Expense) Revenue and Changes in
			Program Revenues Operating	Capital	Net Assets Total
Runctions	X	Charges for	Grants and	Grants and	Governmental
	Samady-	200			TOTAL MES
Governmental activities:					
Instructional services	\$ 6,460,578	\$ 28,324	\$ 1,696,624	&	\$ (4,735,630)
Supporting services:					
Students	191,532	•	77,410	•	(114,122)
Instructional staff	61,409	•	195,730	•	134,321
District administration	333,758	•	•	•	(333,758)
School administration	720,536	•	12,862	•	(707,674)
Business	240,538	•	•	•	(240,538)
Operation and maintenance of facilities	774,018	1	•	•	(774,018)
Transportation	391,408	•	300,589	•	(618'06)
School lunch services	345,746	75,494	186,161	•	(84,091)
Interest on long-term liabilities	372,022	•	,	1	(372,022)
Total school district	\$ 9,891,545	\$ 103,818	\$ 2,469,376		(7,318,351)
	General revenues:	;;			
	Property taxes levied for:	levied for:			
	General purposes	oses			865,240
	Transportation	Ľ.			75,117
	Recreation				62,002
	Debt service				1,123,182
	Capital outlay	>			1,075,091
	Federal and sta	Federal and state aid not restricted to specific purposes	to specific purposes		4,427,015
	Earnings on investments	restments			49,748
	Miscellaneous				382,548
	Total gene	Total general revenues			8,059,943
	Change	Change in net assets			741,592
	Net assets - beginning	nning			6,345,406

Net assets - ending

Balance Sheet

Governmental Funds

June 30, 2005

			Major Funds					Other	Total Governmental		
			Debt	Capital		Governmental					
A4		General		Service		Projects		Funds	<u>Funds</u>		
Assets: Cash and investments	\$	1,310,910	\$	139,702	\$	616,954	\$	88,318	\$	2,155,884	
Receivables:	Þ	1,310,910	Þ	139,702	Þ	010,934	Þ	00,310	Þ	2,133,004	
Property taxes		833,467		942,919		847,182		52,006		2,675,574	
Other governments		440,589		942,919		047,102		7,955		448,544	
Other receivables		440,369		-				1,933		770,577	
Inventory		-				-		9,139		9,139	
· •	_										
Total assets	<u>\$</u>	2,584,966	\$	1,082,621	\$	1,464,136	\$	157,418	\$	5,289,141	
Liabilities and fund balances:											
Liabilities:											
Accounts payable	\$	25 0, 904	\$	-			\$	-	\$	250 ,90 4	
Accrued salaries		482,497		-		-		-		482 ,49 7	
Deferred revenue:		-									
Property taxes	•	8 77,0 75		908,256		81 4,0 03		50,093		2,649,427	
Other governments		. -		- '				9,139		9,139	
Local sources											
Total liabilities		1,610,476		908,256		814,003		59,232		3,391,967	
Fund Balances:										•	
Reserved for:											
Debt service		-		174,365				-		174,365	
Unreserved:											
Designated for:											
Undistributed reserve		17 0,0 00		-		15 0,0 00		· -		320,000	
Undesignated, reported in:											
General fund		8 04, 490		-		-		-		804,490	
Capital projects fund		-		-		500,133		-		500,133	
Special revenue funds		-				-		98,186		98,186	
Total fund balances		974,490		174,365		650,133		98,186		1,897,174	
Total liabilities and fund	•	0.594.066	•	1.000.601	•	1 464 126	•	157 410	•	5 000 144	
balances	<u>\$</u>	2,584,966	\$	1,082,621	\$	1,464,136	\$	157,418	<u>\$</u>	5,289,141	

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2005

Total fund balances for governmental funds		\$ 1,897,174
Total net assets reported for governmental activities in the statement of net assets is di	fferent because:	
Capital assets used in governmental funds are not financial resources and therefore a the funds. Those assets consist of:	are not reported in	
Land	\$ 100,222	
Buildings and improvements, net of \$6,486,300 accumulated depreciation	12,723,700	
Furniture and equipment, net of \$1,1014,996 accumulated depreciation	551,054	13,374,976
expenditure when due. Accrued interest for general obligation bonds is \$28,769 and for obligations under capital leases is \$1,885. Bond issuance costs are reported as expenditures in the governmental funds. The coaccumulated amortization is \$20,925.		(30,654) 34,075
Long-term liabilities that pertain to governmental funds, including bonds payable, at payable in the current period and therefore are not reported as fund liabilities. All li current and long-term - are reported in the statement of net assets. Balances at year-	abilities - both	
Bonds payable	(7,828,000)	
Obligations under capital leases	(168,132)	
Accrued sick pay	(192,441)	
Early retirement payable	0	(8,188,573)
Total net assets of governmental activities		\$ 7,0 86,9 98

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	Major Funds						Other	Total		
	General		Debt Service		Capital Projects		vernmental Funds	Governmental Funds		
Revenues:										
Property taxes	\$ 940,357	\$	1,123,182	\$	1,075,091	\$	62,002	\$	3,200,632	
Earnings on investments	30,161		9,213		10,374		-		49,748	
School lunch sales	-		-		-		75,494		75,494	
Other local sources	364,392		•		26,328		20,152		410,872	
State aid	6,002,865		-		-		9 8,69 5		6,101,560	
Federal aid	594,237				-		20 0,594		794,831	
Total revenues	7,932,012		1,132,395		1,111,793		456,937	·	10,633,137	
Expenditures:										
Current:										
Instructional services	5,456,276		-		200,564		211,528		5,868,368	
Supporting services:										
Students	191, 532		-		-		-		191,532	
Instructional staff	61,409		-		-	-	-		61,409	
District administration	303 ,173		•		-		-		303,173	
School administration	715,080		-		-		-		715,080	
Business	239,788		-		-		-		239,788	
Operation and maintenance										
of facilities	769 ,899		-		-		-		769 ,899	
Transportation	348,328		-		-		-		348,328	
School lunch services	-		-		-		344,496		344,496	
Capital outlay	·		-		316,088		-		316,088	
Debt service:										
Principal retirement	-		662,0 00		521,220		-		1,183,220	
Interest and fiscal charges			375,110		-		-		375,110	
Total expenditures	8,085,485		1,037,110		1,037,872		556,024		10,716,491	
Excess (deficiency) of revenues										
over (under) expenditures	(153,473)		95,285		73,921		(99,087)		(83,354)	
Other financing sources (uses):										
Transfers	492,000		-		(575,000)		83,000		-	
Transfers out	-		•		-		-		-	
Sale of capital assets	<u> </u>		-		-		'-	_	-	
Total other financing sources			•							
(uses)	492,000		<u> </u>		(575,000)		83,000		-	
Net change in fund balances	338,527		95,285		(501,079)		(16,087)		(83,354)	
Fund balances - beginning	635,963		79,080		1,151,212		114,273		1,980,528	
Fund balances - ending	\$ 974,490	\$	174,365	\$	650,133	\$	98,186	\$	1,897 ,174	

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities

Net change in fund balances-total governmental funds	\$	(83,354)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays \$ 132,828		
Depreciation expense (486,540)		(353,712)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.		
Other financing source - capital lease		
Principal payments of capital leases 521,220		521,220
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of bond principal 662,000		
Interest expense - general obligation bonds 3,088		
Amortization of bond issuance costs (4,785) Amortization of bond premium		660,303
Amortization of bond premium		000,503
In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick pay increased by \$2,865, and early retirement		
payable did not change.		(2,865)
Change in net assets of governmental activities	<u>s</u>	741,592

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund

·	Budg	geted Amounts	Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	\$ 822,8	56 \$ 981,525	\$ 940,357	\$ (41,168)
Earnings on investments	15,0	00 24,800	30,161	5,361
Other local sources	20,0	00 75,206	364,392	289,186
State aid	5,96 8,9	89 5,973,266	6,002,865	29,599
Federal aid	667,9	00 766,914	594,237	(172,677)
Total revenues	7,494,7	45 7,821,711	7,932,012	110,301
Expenditures:			•	
Current:				
Instructional services	5 ,542,7	22 5,652,551	5,456,276	196,275
Supporting services:				
Students	164,7		191,532	3,460
Instructional staff	92,2		61,409	17,949
District administration	334,7	•	303,173	40,912
School administration	697,3	•	•	21,949
Business	127,2	•	239,788	96,715
Operation and maintenance of facilities	78 9,6	•	769,899	91,311
Transportation	346,1	00 395,946	348,328	47,618
Other		<u> </u>	-	<u> </u>
Total expenditures	8,094,7	65 8,601,674	8,085,485	516,189
Excess of revenues over expenditures	(600,0	20) (779,963)	(153,473)	626,490
Other financing sources (uses): Capital lease proceeds				_
Transfer in	680,0	00 400,000	575,000	175,000
Transfer out	(8,0	•	•	3,000
				
Net change in fund balances	(608,0	20) (465,963)	338,527	804,490
Fund balances - beginning	635,9	63 635,963	635,963	
Fund balances - ending	\$ 27,9	<u>\$ 170,000</u>	\$ 974,490	\$ 804,490

Statement of Fiduciary Net Assets

Agency Funds

June 30, 2005

	Agency Funds
Assets:	
Cash and investments	\$ 282,010
Total Cash and investments	\$ 282,010
Liabilities	
Due to student groups	\$ 136,093
Due to other government agencies	145,917
Total liabilities	\$ 282,010

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Garfield County School District have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below.

Reporting Entity - The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District. The District is not a component unit of any other primary government.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The capital projects fund accounts for resources accumulated and payments made for the
 acquisition and improvement of sites, construction and remodel of facilities, and
 procurement of equipment necessary for providing educational programs for all students
 within the District.

Additionally, the District reports the following fund type:

- The student activities agency fund (a fiduciary fund) accounts for assets held on behalf of student groups and others.
- The District also is the fiscal agent for skills certification testing for the Utah State Office of Education. These funds are also accounted for in the agency funds.

Measurement focus, basis of accounting, and financial statement presentation — The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty

days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post-employment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds except the Garfield County Foundation for Excellence special revenue fund. Budgets are not adopted on a District level for the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.

Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds and the internal service fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Pool (PTIF).

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resource.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	<u>Years</u>
Buildings	50
Building Improvements	20
Furniture	15
Portable Classrooms	15
Machinery and Tools	15
Buses	15
Laboratory Equipment	10
Musical Instruments	10
Licensed Vehicles	10
Computers	5

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 120 days (of which on half of accumulated days will be paid at \$60 per day). No reimbursement or accrual is made for unused vacation leave.

All sick pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations – In the government-wide financial statements financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEPOSITS AND INVESTMENTS

A. Deposits

<u>Deposits - Custodial Credit Risk</u> - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of

The State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, the District's custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2005
Regular Checking Account Regular Checking Account	Insured Uninsured and collateralized	\$ 200,000 <u>569,008</u>
		<u>\$ 769,008</u>

B. Investments

The District's investments are managed through participation in the state Public Treasurer's Investment Fund and through a repurchase agreement arrangement with a local bank. As of June 30, 2005, the District had the following investments:

Investment	<u>Maturities</u>	Fair Value
Utah Public Treasurers' Investment Fund	57 days average	<u>\$1,914,576</u>

<u>Investments – Interest Rate Risk</u> – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments - Credit Risk - The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the

underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices.

<u>Investments - Custodial Credit Risk</u> - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by Garfield County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1 until the date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market value statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2005 is as follows:

Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning	_	_	Ending
	Balance	Increases	Decreases	Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 100,222	\$ -	\$ -	\$ 100,222
Construction in progress	-	-	-	-
Water stock			-	-
Total capital assets, not being depreciated	100,222	-	-	100,222
Capital assets, being depreciated:				
Buildings and improvements	19,210,000	-	-	19,210,000
Furniture and equipment	1,433,221	132,829		1,566,050
Total capital assets, being depreciated	20,643,221	132,829	-	20,776.050
Accumulated depreciation for:				
Buildings and improvements	(6,102,350)	(383,950)	-	(6.486,300)
Furniture and equipment	(912,406)	(102,590)		(1.014,996)
Total accumulated depreciation	(7,014,756)	(486,540)		(7,501,296)
Total capital assets, being depreciated, net	13,628,465	(353,711)		13,274,754
Governmental activities capital assets, net	\$ 13,728,687	\$ (353,711)	<u>\$</u>	\$ 13.374,976

Depreciation expense was charged to functions of the District as follows:

Covernmen	tal	activities.
t mvernmen	121	activities:

Instructional services	\$ 404,165
Supporting services:	
District administration	30,5 85
School administration	3,450
Business	750
Operation and maintenance of facilities	3,260
Transportation	43,0 80
School lunch services	 1,250
Total depreciation expense, governmental activities	\$ 486,540

5. RETIREMENT PLANS

Defined Benefit Plans - The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 5% of their annual covered salary (all or part may be paid by the employer for the employee) and Garfield County School District is required to contribute 5.91% of their member's annual covered salary. In the State and School Noncontributory Retirement System the Garfield County School District is required to contribute 13.38% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$0, \$0 and \$0 respectively. The Noncontributory Retirement System contributions for June 30, 2005, 2004 and 2003 were \$551,373, \$457,223 and \$446,467 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 were \$73,455, \$64,122 and \$68,915 respectively; the employee contributions for the years ending June 30, 2005, 2004, and 2003 were \$104,379, \$88,297 and \$104,379 respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities: Bonds payable: General obligation bonds Deferred amounts for issuance	\$ 8,490,000	\$ -	\$ (662,000)	\$ 7,828,000	\$ 717,000
Premium Total bonds payable, net	8,490,000		(662,000)	7,828,000	717,000
Obligations under capital lease Accrued sick pay payable	689,352 189,576	2,865	(521,220)	168,132 192,441	72,706
Total governmental activity Long-term liabilities	\$ 9,36 8,9 28	<u>\$ 2,865</u>	(\$1,183,220)	<u>\$ 8,188,573</u>	<u>\$789,706</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Vacation and early retirement benefits will be paid by the fund in which the employee worked.

General Obligation Bonds - The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. Outstanding general obligation bonds at June 30, 2005 are as follows:

	Maturity	
Rates	Dates	Balance
$\frac{1}{3.00\%}$ to		
4.625%	2015	\$ 4,250,000
3.50%		
	2007	248,000
5.35% to		
5.90%	2007	580,000
4.20% to		
4.70%	2014	<u>2,750,000</u>
		<u>\$ 7,828,000</u>
	3.00% to 4.625% 3.50% 5.35% to 5.90% 4.20% to	Rates 3.00% to 4.625% 2015 3.50% 2007 5.35% to 5.90% 2007 4.20% to

The debt service requirements to maturity for the general obligation bonds are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 717 ,00 0	\$ 344,832	\$ 1,061,832
2007	70 6,00 0	314,959	1,020,959
2008	735,000	280,619	1,015,619
2009	765,000	250,433	1,015,433
2010	800,000	235,473	1,035,473
2011-2015	4,105,000	537,316	4,642,316
Total	<u>\$7,828,000</u>	<u>\$1,963,632</u>	<u>\$9,791,632</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$13,182,334. General obligation debt at June 30, 2005 is \$7,828,000, resulting in a legal debt margin of \$5,354,233.

Advance Refunding - The District has issued general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$4,270,000 (the outstanding balance at year end) of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from financial statements.

Obligations Under Capital Lease – The District obtained equipment and buses under capital lease arrangements. Annual payments are funded either through the capital projects fund or from transportation. The future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 72,706	\$ 4,942	\$ 77,648
2007	74,733	2,707	77,440
2008	<u>20,693</u>	<u>427</u>	21,120
Total	\$168,132	<u>\$ 8,076</u>	<u>\$ 176,208</u>

8. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and State Auditor.

9. GRANTS

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Utah law requires that actual expenditures shall not exceed budgeted appropriations for any fund. Actual expenditures in the School Lunch Fund exceeded appropriations by \$17,816.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

School Lunch Fund – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily by a recreation tax levy and student fees. This annual property tax levy is authorized by Utah Code 11-2-7 and does not have a maximum statutory rate. Fees charged to the user provide additional funds as necessary.

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2005

	Special Revenue					
	School Lunch		Non K-12 Programs		Total Nonmaj Governme Funds	
Assets:	•		•	00.050		00.710
Cash and investments	\$	7, 439	\$	80,879	\$	88,318
Receivables:				50.006		50.000
Property taxes		-		52,006		52,006
Other governments	¥.	0.120		7,955		7,955
Inventory		9,139		-		9, 139
Due from other funds				-	_	
Total assets	<u>\$</u>	16,578	\$	140,840	\$	157,418
Liabilities:						
Accounts payable	\$	-	\$	-	\$	-
Deferred revenue:						-
Property taxes		-		50,093		50, 093
Other governments		9,139		-		9 ,139
Local sources						
Total liabilities		9,139		50,093		59,232
Fund balances:						
Unreserved:						•
Undesignated		7,439		90,747		98,186
Total fund balances		7,439	·	90,747		98,186
Total liabilities and fund balances	<u>\$</u>	16,578	\$	140,840	\$	157,418

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2005

	Special 1		
	School Lunch	Non K-12 Programs	Total Nonmajor Governmental Funds
Revenues:	_		
Property tax	\$ -	\$ 62,002	\$ 62,002
Student fees	-	10,361	10,361
Lunch sales	75,494	-	75,494
Other local revenues	-	9,791	9,791
State aid	30,181	68,514	98,695
Federal aid	155,980	44,614	200,594
Total revenues	261,655	195,282	456,937
Expenditures: Current:			
Instructional services	-	211,528	211,528
Supporting services:			
Operation and maintenance of facilities	-	-	•
School lunch services	344,496	-	344,496
Total expenditures	344,496	211,528	556,024
Excess of revenues over expenditures	(82,841)	(16,246)	(99,087)
Other financing sources:			
Transfer in	83,000	•	83,000
Transfers out	•		
Net change in fund balances	159	(16,246)	(16,087)
Fund balances - beginning	7,280	106,993	114,273
Fund balances - ending	\$ 7,439	\$ 90,747	\$ 98,186

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual School Lunch

Nonmajor Special Revenue Fund

Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004	
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts	
Revenues:		V			
Local sources:	* 50.000				
Lunch sales - children	\$ 58,900	\$ 68,012	\$ 9,112	\$ 62,032	
Lunch Sales - adult	5,000	7,482	2,482	8,418	
Earnings on investments Other local sales	-	- -	<u>-</u>	1,671	
Total local sources	63,900	75,494	11,594	72,121	
State sources:		73,151	11,571	72,121	
State lunch program	23,200	30,181	6,981	25,223	
Total state sources	23,200	30,181	6,981	25,223	
Federal sources:					
Federal lunch program	18,500	19,040	540	20,569	
Free and reduced assistance	87 ,600	93,783	6,183	95,377	
Breakfast program	23,200	24,874	1,674	26 ,338	
Special milk	•	·	-	-	
Other	17,000	18,283	1,2 83	<u>16,916</u>	
Total federal sources	146,300	155,980	9,680	159,200	
Total revenues	233,400	261,655	28,255	256,544	
Expenditures:					
Current:					
Salaries	127,100	133,056	(5,9 56)	123,956	
Employee benefits	7 4,554	75,792	(1,238)	77,887	
Purchased services	5,026	3,163	1,863	2,322	
Supplies	4,500	5,035	(535)	2,941	
Food	115,500	127,450	(11,950)	120,470	
Other				1,602	
Total expenditures	326,680	344,496	(17,816)	329,178	
Excess (deficiency) of revenues over expenditures	(93,280)	(82,841)	10,439	(72,634)	
Other financing sources and (uses)					
Transfers in	86 ,000	83,000	(3,000)	73,000	
Transfers out	<u> </u>				
Net change in fund balances	(7,280)	159		366	
Fund balances - beginning	7,280	7,280		6,914	
Fund balances - ending	<u> </u>	\$ 7,439	\$ 7,439	\$ 7,280	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Non K-12 Programs

Nonmajor Special Revenue Fund

Year Ended June 30, 2005 With Comparative Totals for 2004

	2005			2004	
·	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts	
Revenues:					
Local sources: Property taxes	r (1.272	£ (2.002	f 700	e 50.407	
Community school fees	\$ 61,273 9, 650	\$ 62,002 10,361	\$ 729 711	\$ 59,407 13,560	
Miscellaneous revenues	8,750	9,791	1,041	8,820	
Total local sources	79,673	82,154	2,481	81,787	
State sources:					
Adult high school completion	61 ,968	61,968	-	53,793	
Preschool	6 ,546	6,546	-	8,600	
Retirement and social security			-		
Utah State Developmental Center			-		
Total state sources Federal sources:	68,514	68,514		62,393	
Special education preschool grant	7,955	7,955		8.048	
Adult education	42, 024	36,6 5 9	(5,365)	48, 831	
Total federal sources	49,979	44,614	(5,365)	56,879	
Total revenues	198,166	195,282	(2,884)	201,059	
Expenditures: Current:					
Salaries Salaries	113,100	101,144	11,956	110,841	
Employee benefits	36,328	35,710	618	35,242	
Purchased services	23,700	15,411	8,2 89	22,530	
Supplies	55, 58 1	35,611	1 9,97 0	18,810	
Equipment	66,150	16,308	49,842	81,684	
Other	10,300	7,344	2,956	8,813	
Total expenditures	305,159	211,528	93,631	277,920	
Excess (deficiency) of revenues over					
(under) expenditures	(106,993)	(16,246)	9 0,7 47	(76, 861)	
Fund balances - beginning	106,993	106,993		183,854	
Fund balances - ending	<u> </u>	\$ 90,747	\$ 90,747	\$ 106,993	

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund services primary on-going operation of the District. It is used to account for activity and financial resources that are not required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145.

Capital Projects Fund - The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Major Debt Service Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004	
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts	
Revenues:					
Property tax	\$ 1,107,851	\$ 1,123,182	\$ 15,331	\$ 1,078,692	
Earnings on investments	12,025	9,213	(2,812)	3,650	
Total revenues	1,119,876	1,132,395	12,519	1,082,342	
Expenditures:					
Debt service:					
Bond principal	764 ,800	662,000	102,800	614,000	
Bond interest	431,356	371,981	59,375	392 ,426	
Paying agent fees	2,800	3,129	(329)		
Total expenditures	1,198,956	1,037,110	161,846	1,006,426	
Excess (deficiency) of revenues over					
(under) expenditures	(79,080)	95,285	174,365	75,916	
Other financing sources (uses):	•		•		
Proceeds of refunding bonds	-	-	•	-	
Payment to refunded bond escrow agent	· <u> </u>			<u> </u>	
Total other financing sources (uses)				-	
Net change in fund balances	(79,080)	95,285	174,365	75,916	
Fund balance - beginning	79,080	79,080	<u> </u>	3,164	
Fund balance - ending	<u>s</u> -	\$ 174,365	\$ 174,365	\$ 79,080	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Major Capital Projects Fund

Year Ended June 30, 2005
With Comparative Totals for 2004

		2005			
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts	
Revenues: Local sources: Property taxes Earnings on investments Other local revenues	\$ 999,460 15,000	\$ 1,075,091 10,374 26,328	\$ 75,631 (4,626) 26,328	\$ 1,032,606 12,273 131,769	
Total local sources State sources: Capital outlay foundation State building aid Other	1,014,460 - - -	1,111,793 - - -	97,333	1,176,648 - -	
Total state sources	•		-	-	
Total revenues	1,014,460	1,111,793	97,333	1,176,648	
Expenditures: Instructional Services: Salaries and Benefits Supplies	110,149	113,058 87,506	(2,909) (87,506)	95,781 57,407	
Total instructional services Land and buildings: Land improvements Building improvements	93,708 914,800	200,564	(90,415) 79,338	153,188 17,802	
Total land and buildings Equipment: Equipment Equipment lease principal Other	1,008,508	316,088	613,082 692,420 (24,205)	124,441 142,243 490,461	
Total equipment	497,015	521,220	(24,205)	490,461	
Total expenditures	1,615,672	1,037,872	577,800	785,892	
Excess (deficiency) of revenues over (under) expenditures	(601,212)	73,921	675,133	390,756	
Other Financing Sources (Uses): General obligation bond proceeds Transfer out Equipment capital lease Sale of capital assets	(400,000)	(575,000)	(175,000)	167,208	
Total other financing sources (uses)	(400,000)	(575,000)	(175,000)	167,208	
Net change in fund balances	(1,001,212)	(501,079)	500,133	557,964	
Fund balance - beginning	1,151,212	1,151,212	-	593,248	
Fund balance - ending	\$ 150,000	\$ 650,133	\$ 500,133	\$ 1,151,212	

FIDUCIARY FUNDS

Student Activities Agency Fund – This fund is used to account for the receipt and disbursement of monies for student activity groups and organizations and other custodial type transactions within the schools. The District has a fiduciary responsibility concerning these funds to ensure their safety and accountability.

Skills Certification Testing – The District is the fiscal agent for collection and payment of fees associated with Skills Certification for the State. These funds are held for payment of bills associated with this program.

GARFIELD COUNTY SCHOOL DISTRICT Statement of Changes in Assets and Liabilities

Agency Funds

Year Ended June 30, 2005

		t Assets at ly 1, 2004	A	dditions	D	eductions		t Assets at ne 30, 2005
Assets:								
Cash and investments	\$	227,560	\$	601,974	\$	547,524	\$	282,010
Advance from other fund				<u>-</u>				-
	\$	227,560	\$	601,974	\$	547,524	\$	282,010
Liabilities:								
Due to other funds	\$	-	\$	-	\$	_	\$	_
Due to other governments agencies	•	92,180	•	176,942	•	123,205	•	145,917
Due to student organizations:								,
Elementary Schools:						•		
Escalante		3,339		13,819		15,668		1,490
Bryce Valley		5,788		21,380		20,988		6,180
Boulder		116		852		952		16
Antimony		320		1,399		1,702		17
Panguitch		12,854		34,658		34,273		13,239
Total elementary schools		22,417		72,108		73,583		20,942
Middle Schools:				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				······································
Panguitch		8,810		25,402		24,940		9,272
Total middle schools		8,810		25,402		24,940		9,272
High Schools and Special Purpose Program	ns:							
Bryce Valley		48,391		113,640		117,184		44,847
Panguitch		14,365		112,417		105,511		21,271
Escalante		41,397		101,465		103,101		39,761
Total high schools and special								
purpose programs		104,153		327,522		325,796		105,879
Total due to student organizations		135,380		425,032		424,319		136,093
Total liabilities	\$	227,560	\$	601,974	\$	547,524	\$	282,010

SINGLE AUDIT AND STATE OF UTAH LEGAL COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2005

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/	Federal CFDA	Pass-Thru Grantor's Number	Disbursements or
Program Title	Number	Number	Expenditures
U.S. Department of Education			
Passed Through Utah State Department			
of Education			
Title I	84. 0 10A	051005	\$105,323
Title I	84.010A	041005	44,650
Special Education Grants	84.027A	051905	210,326
Drug Free Schools	84.186A	050905	5,165
VOED Title II Part B	84.048	052112	18,127
Tech Literacy Challenge (TLC)	84.318	040703	
Tech Literacy Challenge (TLC)	84.318	050703	4,686
Adult Education	84.002	053308	36,659
Title VI Admin	84.151Z		14,849
Comprehensive School Reform	84.332A		6,989
Preschool	84.173A	045205	8,072
Improving Teacher Quality	84.367	040503	1,220
Improving Teacher Quality	84.367	050503	51,767
Total U.S. Department of Education			507,833
U.S. Department of Agriculture			
Passed Through Utah State Department			
of Education			
Federal School Lunch Program	10.555	054225	16, 16 4
Federal Special Assistance Program	10.555	054325	79,342
Federal School Lunch Program	10.555	044225	2,876
Federal Special Assistance Program	1 0.5 55	044325	14,441
Federal School Breakfast Program	10.553	054425	21,090
Federal School Breakfast Program	10.553	044425	3,784
Federal Food Commodities - Non Cash	10.556	054125	18,283
Passed Through Garfield County			
Forest Reserve	10.665	N/A	131,018
Total U.S. Department of Agriculture			286,998
TOTAL EXPENDITURES OF FEDERAL AWAR	RDS		\$794,831

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of Federal awards is a summary of activities related to the District expenditure of Federal awards. The schedule has been prepared on the same basis as the basic financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Ending inventory is reflected in the financial statements as deferred revenue. Ending inventory at June 30, 2005 is \$9,307.

NOTE C - ACCOUNTS RECEIVABLE

The basic financial statements include accounts receivable from Federal programs. These receivables are accrued according to the accrual basis of accounting. The receivables reflect Federal awards that have been expended by yearend and not yet reimbursed.

NOTE D - RELATIONSHIP TO DISTRICT'S FINANCIAL STATEMENTS

Federal awards expended on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005, are reported in the District's financial statements as Federal government revenues as follows:

General Fund	\$594,237
Food Services Fund (Special Revenue Fund)	155,980
Non K-12 Programs Fund (Special Revenue Fund)	<u>44,614</u>
,	<u>\$794,831</u>

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Independent Auditor's Report on Internal Control and on Compliance and Other Matters over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education Garfield County School District Panguitch, UT September 8, 2005

We have audited the financial statements of Garfield County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garfield County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Garfield County School District, in a separate letter dated September 8, 2005.

Compliance

As part of obtaining reasonable assurance about whether Garfield County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Garfield School District in a separate letter dated September 8, 2005.

This report is intended solely for the information and use of management, State Office of Education, Utah State Auditor, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education Garfield County School District Panguitch, UT September 8, 2005

Compliance

We have audited the compliance of Garfield County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2005. Garfield County School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Garfield County School District's management. Our responsibility is to express an opinion on Garfield County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Garfield County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Garfield County School District's compliance with those requirements.

In our opinion, Garfield County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Garfield County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Garfield County School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Garfield County School District as of and for the year ended June 30, 2005 and have issued our report thereon dated September 8, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, In our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of management, State Office of Education, Utah State Auditor, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

GILBERT & STEWART

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

A. SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statements of Garfield County School District.
- 2. No reportable conditions were disclosed during the audit of the financial statements.
- 3. No instances of noncompliance material to the financial statements of Garfield County School District were disclosed during the audit.
- 4. No reportable conditions weres disclosed during the audit of internal control over major Federal award programs.
- 5. The auditor's report on compliance for the major Federal award programs for Garfield County School District expresses an unqualified opinion.
- 6. No audit findings relative to the major Federal award programs for Garfield County School District are reported in this schedule.
- 7. The programs tested as major programs included: School Lunch Cluster CFDA#10.555, #10.553 and Special Education Grants IDEA 84.027A.
- 8. The threshold for distinguishing Types A and B programs was \$300,000.
- 9. Garfield County School District was determined to be a low-risk auditee.
- B. FINDINGS FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS - CURRENT YEAR

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS - PRIOR YEAR

None

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Independent Auditor's Report on Legal Compliance in Accordance with the Utah State Legal Compliance Audit Guide

Board of Education Garfield County School District Panguitch, UT

September 8, 2005

We have audited the financial statements of Garfield County School District for the year ended June 30, 2005, and have issued our report thereon dated September 8, 2005. As part of our audit, we have audited Garfield County School District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

Minimum School Programs

The District also received nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Garfield County School district's financial statements.)

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt Budgetary Compliance Cash Management Property Tax
Purchasing Requirements
Other Compliance Requirements

The management of the Garfield County School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Garfield County School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of management, the Board of Education, state Office of Education, and Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

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September 8, 2005

Board of Education Garfield County School District Panguitch, Utah

In planning and performing our audit of the financial statements of Garfield County School District for the year ended June 30, 2005, we noted certain maters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 8, 2005, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated September 8, 2005, in accordance with Government Auditing Standards and the provisions of Office of Management of and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and in accordance with the State of Utah Legal Compliance Audit Guide.

Below are findings relating to compliance with state rules and regulations:

<u>Utah State Findings - Current Year</u>

04-1. Budgetary Compliance

Finding: The District exceeded budgeted expenditures in the following funds:

School Lunch Fund

\$ 17,816

Recommendation: We recommend that the District make proper adjustments of the budget each year to comply with state law.

District's Response: We concur with the auditor's recommendation.

Findings - Prior Year

04-1 Budgetary Compliance

See Current Year Finding #05-1

We sincerely appreciate the opportunity to be of service to Garfield County School District. If you have any questions regarding the items in this letter or regarding the audit in general please feel free to call.

Gilbert & Stewart

Certified Public Accountants